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The data provided in this bulletin is given solely as an information resource and does not imply endorsement by the U.S. Dept. of Commerce.

OZ ICT

Australian ICT Bulletin

U.S. Commercial Service, Australia

Welcome

To the Australian ICT Bulletin

This monthly publication contains useful business intelligence on the Australian IT market.

In this issue, you'll find information on:

- Local Telecommunications Issues
- Broadband Update
- Information on Local Developers of Telephony Systems
- and much, much more!

For further information on the articles in this publication or on any aspect of the Australian ICT market, please contact:

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Fax: 61 2 9221 0573
www.buyusa.gov/australia/

What's Happening This Month at the Commercial Service

Our office recently met up with representatives of the Australian subsidiary of a U.S. telecommunications company. The major issues to come out of the meeting in terms of doing business in the local market included the high local costs of transferring between fixed and mobile phones, peering arrangements for ISPs, and costs of accessing the last mile. Telstra's wholesale division has recently revised its prices on the back of an enquiry by the Australian Consumer Competition Commission (ACCC). The cost of local call resale is now AU\$0.13 down from AU\$0.145, interconnection AU\$0.0125 per minute down from AU\$0.017 per minute, and for city area unbundled local loop (ULL) AU\$13 per month down from AU\$20 per month.

Increase Usage of Internet Banking

Local Internet banking usage has trebled in the last 18 months, and now, 1.8 million Australians are accessing their accounts online according to a newly released survey. Research company, Market Intelligence Strategy Centre reported that in the September quarter, the major banks signed up some 700,000 customers to their online banking services.

Paying bills proved to be the most popular Internet banking activity for the quarter, up by 28 percent.

Stop Press!! US Pavilion at CeBit Australia, May, 2004

The US Department of Commerce is organizing a **US Pavilion** at next year's CeBit Australia to be held in Sydney from May 4-6, 2004. We invite any inquiries from U. S. companies who may wish to exhibit in person.

Alternatively, if you already have an agent, distributor, or representation in Australia, we would be delighted to include them in our Pavilion promoting your products. This is a very low cost option to exhibit at CeBit next year. Your local Australian agent shares the cost of the booth space and promotes your company's products. With the money that is saved on exhibiting by sharing the cost, you could budget a trip down to Australia to attend the show, support your distributor, and get a first hand look at the latest market developments.

We can serve you better if we know your local representative! Please notify us of your local representative's contact details. We will gladly speak to them about the viability of exhibiting in a US Pavilion. Please contact duncan.archibald@mail.doc.gov We look forward to hearing from you!

Optus Gets Hands on Telstra's ADSL

After much negotiation, Telstra will wholesale its residential ADSL lines to Optus. As the second-largest telecommunications carrier in the local market, Optus has for the last two years only offered its cable service to the residential market, which is limited to only 1.4 potential clients. Now with the use of Telstra's wholesale supply, Optus can offer packaged ADSL to about 75 percent of Australia's eight million households. Most ISPs began offering repackaged Telstra ADSL as long as two years ago, but Optus held out to negotiate the best possible deal it could, and ensure quality of service. Optus' ADSL service will be rolled out in March 2004. At present, only four percent of Australian households have some form of broadband connection.

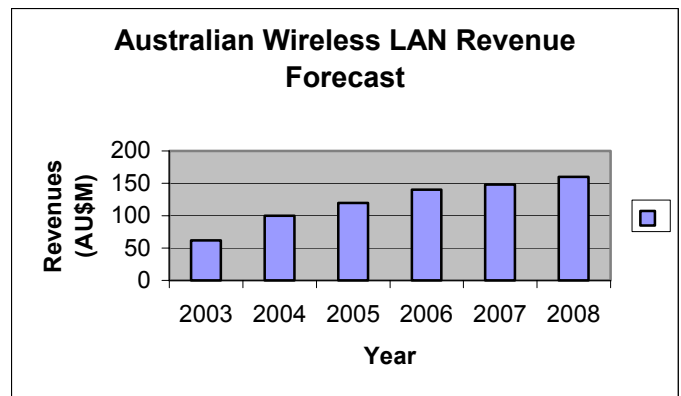
Broadband Users

ADSL

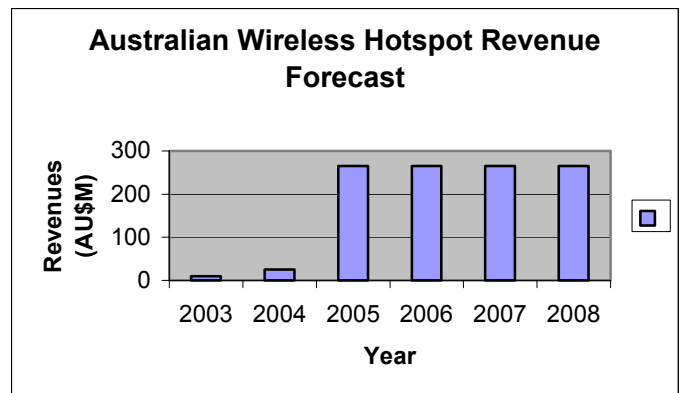
Telstra Big Pond (residential only)	150,000
iiNet	30,000
TPG	25,000
iPrimus	15,000

Cable

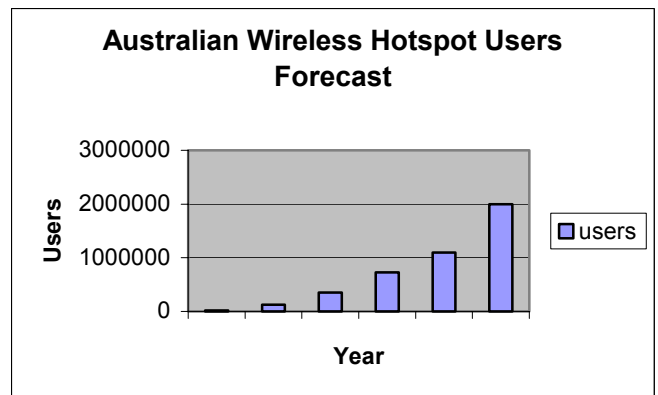
Telstra	115,000
Optus	125,000



Source: Frost & Sullivan 2003



Source: Frost & Sullivan 2003



Source: Frost & Sullivan 2003

Fixed to Mobile Termination

One issue of concern for telecommunications companies is the cost of fixed to mobile termination in the local market. These are the per minute rates that telecommunications carriers must pay to the mobile carriers (Telstra, Optus, Vodafone, and Orange) to have their calls carried to the abovementioned companies' cell phone customers.

The wireless carriers charge the fixed line telcos for termination on their mobile networks. The fixed line carriers then pass on the costs to their customers. Typically, this is about AU\$0.60 per minute from fixed to mobile networks.

The Australian Competition and Consumer Commission (ACCC) has been conducting an inquiry into the mobile market, and is considering regulating the termination price in a bid to bring retail fixed to mobile prices down.

At present heavy discounts are offered to corporate customers. Consider the following table

Service	Corporate	Consumer
Fixed to mobile	15c per min.	60c per min
Local Calls	8c	22c
Mobile Data	\$3/month	\$10/month

In the Land of Oz, Broadband Costs Reign

Although only four per cent of Australians boast a broadband connection, the cost of their broadband services is seventh most expensive among developed countries. According to the International Telecommunications Union (ITU), Australia ranks 29th out of 30 countries in terms of subscribers per 100 people, a figure that's ahead of only New Zealand. Despite the relatively low usage rate, Australians pay .44 per cent of monthly income to download 100 kilobits of data, a stark contrast to Canadians' .14 per cent and Americans' .12 per cent.

Amidst high costs, complaints about broadband services have increased by 45 percent in the last year, as noted by Telecommunications Industry Ombudsman (TIO), John Pinnock. The majority of grievances have been about contracts, faults, and provisioning difficulties. Pinnock attributes many of the complaints to adaptation to a new technology: The industry is adjusting to new systems for billing and provision while many consumers are ignorant of the main terms of contract, which leads to higher-than-expected invoices.

Regardless, critics are pushing for a federal government review of the competitiveness of the telecommunications market. Leading broadband-provider Telstra has insisted upon fair prices, but as noted by AT Kearney, Australia's broadband market lacks the necessary entry-level prices that would spur consumer demand. To entice the remaining Australian internet-surfing population, the industry should heed advice from the ITU: "Successful broadband economies are characterized by low prices, typically as a result of flourishing competition and innovative pricing schemes that attract a wide variety of customers".

Sydney and Adelaide: Equals at Last

Through a joint venture between Adelaide City Council, the SA government, Cisco, mobile broadband consortium m.Net Corporation, and service providers Internode, Agile, and AirNet, Adelaide now boasts an equal number of wireless networking locations as Sydney. The new hot spots, known in aggregate as the Citilan network, are located throughout the CBD and major shopping areas. Unlike most hot spots, which radiate from indoor transmitters, Adelaide's hot spots are on traffic lights and lampposts, providing service for those in cafes and shops within a 100-meter area. Citilan was also built on a shared infrastructure model, permitting multiple ISPs to service the same physical vicinity.

Adelaide's 45 new hot spots puts it on par with not only Sydney but also telco giant Optus, which has the same number of hot spots in its nationwide wi-fi network. As rightfully asserted by Simon Hackett, managing director of Internode, "The Adelaide network set out to prove the financial viability of wi-fi if it provided ubiquitous coverage and wasn't divided up between competing ISPs."

Internet Travel Companies Still Flying High?

Searching the web for travel deals has rocketed with 33 per cent of Australian web surfers purchasing travel and accommodation, the leading category for all e-shopping. Yet, Australian travel companies have not shared the resulting 200 per cent increase in dollars spent on travels equally.

Web giant Travel.com.au reported a gross sales drop of 26 per cent to \$93.8 million for the year and attributes losses to the Bali bombings, Iraq War, severe acute respiratory syndrome, and a "lack of maturity of its products". In stark contrast, its smaller competitor, Webjet, enjoyed a gross sales boom of 60 per cent to \$19.4 million. Both companies, however, face net losses for the year with Travel.com.au \$7.2 million in the red and Webjet losing \$1.7 million.

To better cope with future travel downturns, both companies are cutting costs significantly and refocusing on core-competencies. For example, Travel.com.au is outsourcing technology development services with Last Minute Network, a British online travel service. More strategic actions must soon be made, as traditional travel players, such as the brick-and-mortar Flight Centre, are developing e-commerce websites and reeling in over \$2.2 million in revenue per month and boosting net profit by 13 per cent.

Company Profile:

Telecom NZ Reconnects with Investors

The trans-Tasman telecommunications firm, Telecom NZ has basked in a stock climb of 16 per cent over the last six months. Telecom, which owns Australian telco AAPT, is enticing investors with the promise of higher dividends and future revenue growth, a refreshing announcement amidst customary pessimistic telco forecasts.

According to Macquarie Equities, Telecom holds the best short- and long-term value compared to Telstra and Singapore Telecommunications, owner of Australian telco giant Optus. Macquarie's nine-month price targets for Telecom, Telstra, and Singapore Telecommunications are \$NZ6, \$5.20, and \$1.70, respectively. Bullish analysts have even forecasted that Telecom's dividend payout ratio could surge by 85 per cent from its current 50 per cent over the next year.

One concern, however, is the rise of third generation (3G) wireless network technology in New Zealand. As a wireless network that provides high-speed bandwidth (high data transfer rates) to handheld devices, a 3G network will cost Telecom over \$NZ600 million to establish, which will unquestionably push back plans to increase dividends. Another fear of introducing a 3G network is the resulting aggressive price discounting, as seen in the Australian market.

Generation Broadband

According to a Roy Morgan survey of 25,000 Australians, the typical Aussie broadband user is a "big-spending, high-earning, male city dweller" and spends, on average, 11 hours per week online. Representing 12 per cent of the population, the next generation of Internet users is the techno savvy "innovators" who lead the way into SMS messaging and demanded advanced mobile services. Unlike their dial-up counterparts, these innovators are 20 per cent more likely to pay bills online, shift to high-speed Internet shopping for groceries, and engage in online share trading.

With over half of broadband users earning more than \$70,000 per year, in comparison to 35 per cent of dial-up users and 27 per cent of all Australians, they boast not only a high-speed Internet connection but also a high-power economic force. As noted by the Australian Broadband Advisory Group, Generation Broadband, which is expected to mushroom from 275,000 subscribers to over 1 million by 2005, could produce annual economic benefits of \$12 billion to \$30 billion to Australia.

Middle-Tier Telco's Cause for Alarm

Telecommunication giants Telstra and Optus are considering fibre-optic networks IP1 and NextGen for acquisition, a move that would enhance the major telcos' duopolistic position in inter-capital transmission. After being placed into receivership in May, IP1 and NextGen have received bid marks from possible buyers such as Telstra, Optus, Telecom New Zealand, and Hong Kong private equity firm TVG.

Middle-tier telcos, which include Powertel, Primus and Macquarie, have a cause for alarm. As asserted by Ian Slattery, general manager at Primus, "Currently Optus, Telstra, NextGen, and IP1 operate the only links between Melbourne and Perth. If NextGen or IP1 were to disappear, it would be a return to classic duopoly pricing."

The Australian Competition and Consumer Commission (ACCC) is reviewing the claim, as evaluations of the possible consequences of the sale of NextGen and IP1 networks are considered. If the acquisitions are deemed to significantly reduce competition, the ACCC can exercise its power under the Trade Practices Act to block the acquisition.

A Hard-earned Buck: PC Shipments Up, Revenues Dip

According to the International Data Corporation (IDC) second quarter numbers for the Australian computer market, PC shipments increased by over 19 per cent, as compared to 2002 figures. HP, Dell, and IBM still maintain the forefront by supplying nearly 40 per cent of PCs while HP, with 8.5 per cent, overtook first place in the notebook market from Toshiba. Imraan Ali, hardware analyst at IDC, attributes higher shipments to business confidence, end of financial year spending, renewal of business PCs purchased due to the Y2K problem, and more price-flexible vendors.

Revenues from both PCs and notebooks, however, dropped by 2.5 per cent. To maintain competitiveness in an industry where customers demand more "bang for the buck", many vendors have adopted a volume strategy, which means lower margins per unit in hopes of reaping rewards from increased market share.

Trade Shows

Australian Mobile Telecommunications Association Conference

This Conference will discuss the future of the local mobile telecommunications industry and include key notes from Hutchison, Optus, and Federal Government executives.

Date: September, 2004

Location: Pyrmont Room, Sydney Convention & Exhibition Centre

Organizers: Association & Communications Events

Frequency: Annual

Tel: 61 2 9922 5609

Fax: 61 2 9922 5844

Web site: <http://www.acevents.com.au/amta>

Climbing the Supply Chain

According to an S2 Intelligence report, one-third of the 2000 biggest companies in Australia and New Zealand have implemented electronic supply chain management (e-SCM) systems while another third anticipate doing so in the next three years. Similar to previous promises made by supply chain technology, this new wave of projects will significantly reduce supply chain costs. Unlike the prior wave, however, e-SCM is not merely online auctions and trading: It is the full integration of systems between organizations and their suppliers, such as automating purchasing processes and exchanging trading documents electronically.

At this point, however, experts note that e-SCM may not be as effective or applicable across all industries. The cost of technology solutions is the principal barrier while suppliers who are not ready to go fully electronic may be another restriction. Nonetheless, as S2 managing director Bruce McCabe notes, e-SCM continues to thrive in the financial, retail, business services, medical, and education industries. In attest, corporate giant Woolworths has launched its own e-SCM, dubbed Project Refresh, which is expected to cut costs by \$5.1 billion over the next 8 years.

Local IP Telephone System Resellers

ACC Pty Ltd (Heyday Group)

9 Waterloo Road
North Ryde NSW 2113
Tel: 61 2 9855 6666
Fax: 61 2 9855 6655
www.heyday.com.au
Contact: Dean Crapp
d.crapp@heyday.com.au

PGS Communication Systems Pty Ltd

Unit 5, 2 Sarton Road
Clayton North VIC 3168
Tel: 61 3 8562 7721
Fax: 61 3 8562 7766
www.pgs.com.au
Contact: Charlie Cockerell, Sales Manager
Email: charlie@pgs.com.au

Celtron Pty Ltd

106 Denison St
Carrington NSW 2294
Tel: 61 2 4969 4777
Fax: 61 2 4969 2077
www.celtron.com.au
Contact: Doug Goold
Email: dg@celtron.com.au

CJ Grose & Company

Unit 5/3 York Road
IGLEBURN NSW 2565
Tel: 61 2 9605 7800
Fax: 61 2 9605 1281
www.cjrose.com.au
Contact: Bruce Yates
Email: brucey@cjrose.com.au

Commstar Communications Pty Ltd

46 Harley Crescent
Condell Park NSW 2200
Tel: 61 2 9239 0117
Fax: 61 2 9230 0116
www.commstar.com.au
Contact: Tony Rowe
commstar@commstar.com.au

Delta Communications Pty Ltd

PO Box M266 Dubbo 2830
Tel: 61 2 6884-6868
Fax: 61 2 6884-3512

www.deltacommunications.com.au

Contact: Scott Layton

scott@deltacommunications.com.au

Call Campaign Management On-Demand Desktop
Voice Recording PC-Mobile Text Messaging Client
Billing Directory Quality of Service Reporting

Attention: We would like to know if Oz IT is useful to you. If information from this newsletter leads to a sale of signing of an agreement, please let us know!

Local Developers of Telephony Systems

Tennyson Networks Pty Ltd

14 Business Park Drive

Notting Hill Victoria 3168

Tel. 1800 064 128

Fax +61 3 8558 0461

Contact: GaryNewman, Director of Sales & Marketing

gnewman@tennyson.com.au

Tennyson is a global pioneer of data/voice convergence technology and provides a complete business communications solution encompassing a Computer Telephony Integration (CTI) platform, Integrated Voice Response (IVR), unified communications and messaging, fax and remote access. Several third party applications have also been integrated into the SOX platform.

Cytrack Telecommunications Pty Ltd

119/ 30-40 Harcourt Parade

Rosebery NSW 2018

Tel:61 2 8337-8200

Fax:61 2 8337-8250

www.cytrack.com.au

CyTrack® Telecommunications develops and distributes the 'CyTrack® Suite' range of products that provide the following facilities and features:

Computer Telephony Integration for PC-Telephone
Management Telephone and Event Call Logging and
Accounting Intelligent Queue Management Outbound

Local Distributors of Dialogic Boards

[Westan](#)

[Premier Technologies](#)

[Interworld Electronics & Computer Industries](#)

[DGE Systems](#)

[Telemanagement Australia](#)

Want contact details for the principals of the abovementioned brokers of refurbished networking equipment?

No Problem!

Contact duncan.archibald@mail.doc.gov

Please let us know if these vendors are of use to you, and especially if it leads to an export sale

Telecommunications Opportunity!

A local company that has the Australian rights to telecommunications technology allowing use of the power lines and power sockets to **access broadband internet and** make telephone calls has contacted us recently. The company is looking for a U.S. investor or company that would be interested in **using** the technology **to enter the Australian market. Due to its low cost and the availability of discounted backhaul from failed telcos, this could be a chance for a new entrant to claim a significant market share**

For more information contact
duncan.archibald@mail.doc.gov

Bulletin Board

Local Companies Looking for U.S. Technologies to Distribute in Oz

If you have products that may be of interest to these local companies, you can contact them directly. Alternatively, we can initiate discussions with these companies on your behalf. Just contact us, and we will provide the introductions. If you contact them directly, all we ask is that if you get success with these companies, in terms of distribution of your products, could you kindly let us know!

Business Application Management Tools/Middleware

MQIS Pty Ltd

contact John Rozier, CEO at
jrozier@mqis.com.au

General IT Products

Xitron Pty Ltd - Contact Richard Tibbitts at
rtibbitts@xitron.com

m.strat - Contact William Masson at
wmas@mstrat.com.au

IPP Consultancy Services Pty Ltd - Contact

Subba Rao Vaigonda at
subbarao@ippcs.com.au

Storage Equipment

Red Enterprise Pty Ltd – contact Howard Kaplan
at howard.Kaplan@redenterprise.com

Security Products

CNL Technologies Pty Ltd – contact Jason
Romaini at Jason.romain@cnltech.com.au

General Computer Spare Parts

Australian company Tech-Precision is looking to find brokers of computer spare parts (eg: Epson printer parts, Wyse terminal keyboard parts) to source products.

Tech-Precision Pty Ltd – contact David Shelton at
davids@techprecision.com.au

Local Consultants Offers Services to U.S. Companies

Local IT consulting company Baseit (www.baseit.com.au) can help U.S. vendors with their expansion into the local market. Some of the services Baseit provides included business development and marketing, market research and survey services. Areas of expertise include middleware, database tools, business intelligence and asst management. For more information please contact Andrew Olsen, Director on andrew@baseit.com.au



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Fax: 61 2 9221.0573
www.csaustralia.org

Want to enter the Australian ICT market? Looking for an inexpensive way to identify partners, end-users and resellers?

Why not take out space at next year's CeBIT Australia, May 4-6 at the Sydney Exhibition Space in the U.S. Department of Commerce's U.S.A. Pavilion.

Last year, the three-day event attracted more than 20,000 qualified buyers, systems integrators, resellers and IT department decision makers. Feedback from the show has reinforced CeBIT Australia as the predominant ICT trade fair in Asia Pacific.

By exhibiting in the U.S.A. Pavilion your products and solutions will be assured of drawing the maximum impact with attendees.

The U.S. Department of Commerce in Australia will also organize appointments for you to meet with qualified potential partners in the local market. We will also ensure that you maximize your trip by being invited to a series of the best networking events that will be organized by CeBIT Australia specifically for the show.

Various floor sizes are available on a first come basis. To find out more about the biggest ICT trade fair on the Australian calendar, and how to exhibit in the U.S. Department of Commerce's U.S.A. Pavilion please contact either Brad Anderson on brad.Anderson@mail.doc.gov or on Tel: 503 326 3003 or Duncan Archibald on duncan.archibald@mail.doc.gov or on Tel: 61 2 9373 9212.

For more information on CeBIT Australia please go to www.cebit.com.au

We look forward to having you on board for this exciting event.